

Minneapolis Community Development Agency

## Request for City Council Action

Date: April 22, 2003

To: Council Member Lisa Goodman, Community Development Committee

Refer to: MCDA Board of Commissioners

Prepared by Cynthia Lee, Manager of Multifamily Housing Development, Phone 612-673-5266

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Public Hearing on the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2002**

**Previous Directives:** The Affordable Housing Policy for the City of Minneapolis was adopted by the City Council on September 7, 1999 and amended on February 16, 2001. The resolution directs the MCDA to prepare an annual report to the community regarding affordable housing activity related to the resolution for a presentation at an annual public hearing.

**Ward:** Citywide.

**Neighborhood Group Notification:** The report was sent to all neighborhoods and the primary advocacy groups.

**Consistency with *Building a City That Works*:** Goal 2: Ensure that an array of housing choices exists to meet the needs of our current residents and attract new residents to the city, Objective A. Preserve and expand the number of affordable housing units throughout the city.

**Comprehensive Plan Compliance:** Complies.

**Zoning Code Compliance:** Complies.

**Impact on MCDA Budget:** (Check those that apply)  
☒ No financial impact

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- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

**Living Wage / Business Subsidy:** Not applicable.

**Job Linkage:** Not applicable.

**Affirmative Action Compliance:** Complies.

**RECOMMENDATION:**

**City Council Recommendation:** The Interim Executive Director recommends that the City Council receive and file the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2002.

**MCDA Board Recommendation:** The Interim Executive Director recommends that the MCDA Board receive and file the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2002.

**Background/Supporting Information**

Pursuant to the Affordable Housing Policy ("Policy") for the City of Minneapolis adopted by the City Council in 1999 and amended in 2001, the MCDA and other appropriate departments are required to prepare an annual evaluation of the City's affordable housing activity. The 2002 Affordable Housing Report is attached for your review.

**Summary of Report**

The Policy contains three requirements and eight goals for affordable housing production. The following table outlines the requirements and goals, MCDA's 2002 accomplishments, and whether or not each requirement or goal was met. A more detailed analysis of each is included in the Affordable Housing Report.

<u>Section</u>	<u>Results</u>	<u>Status</u>
Requirement 1: City/MCDA must produce more new units affordable at 30-50% median than the units affordable to 30-50% median that are demolished	16 units removed in 2002; 264 new / conversion units were created	Achieved

<b><u>Section</u></b>	<b><u>Results</u></b>	<b><u>Status</u></b>
Requirement 2: 20% of the units of each City/MCDA housing projects of >10 units will be affordable to <50% median	56% of all 2002 new rental construction/positive conversion units and 67% of all preservation/ stabilization rental units were affordable to households with incomes <50%	Achieved
Requirement 3: Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.	MCDA has implemented this policy for all rental projects and has included language in its legal documents that will require compliance.	Achieved
Goal 1: total annual MCDA investment of \$10 million per year directed to affordable housing production.	During 2002, \$10,825,706 was allocated by City Council/MCDA Board/NRP to affordable housing projects.	Achieved
Goal 2: MCDA Three Year Production/Preservation Goal (2000 – 2002): 2,110 units	MCDA year 2002 production: 612 affordable units - 29% of three year goal, amounting to 1,621 units or 77% of 2000-2002 goal of 2,110 units	Not achieved
Goal 3: at least 50% of the units affordable at 50% of the MMI as required in requirement 2 shall be affordable at <30%	72% of the units completed in 2002 were affordable at or below 30% MMI.	Achieved
Goal 4: fifty percent (50%) of the City/MCDA's affordable housing funds will be used for the capital cost of units affordable at 30% or below of the MMI.	Proportionate with unit numbers in Goal 3 above - 72%	Achieved
Goal 5: goal to allocate 70% of affordable housing funds for units with 2 or more bedrooms and 30% to units with 0-1 bedrooms.	0 – 1 Bedroom – 54% 2+ Bedroom – 46%	Not achieved

Goal 6: a goal of at least 50% of new City-produced affordable housing to be located in areas of the city where it is presently lacking (non-impacted areas).	Impacted Areas of the City – 57% Non-Impacted Areas of the City – 43%	Not achieved, primarily due to lack of sites in non-impacted areas and the economic feasibility of proposed projects in those areas
Goal 7: Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.	New construction / conversion – 58 units (17%) Preservation / Stabilization – 292 units (83%)	Achieved
Goal 8: Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.	New construction / conversion 206 units (79%) Preservation / Stabilization – 56 units (21%)	Achieved

## 2002 Affordable Housing Report

Note: The paragraphs in bold that describe the requirements and goals are taken directly from the adopted Affordable Housing Policy.

### Resolution Requirements

**Requirement 1: Each year the City/MCDA must produce more units affordable at 30-50% median income through new construction/positive conversion than the number of habitable units affordable to 30-50% median income that are demolished through City/MCDA projects.**

**Status: Requirement Achieved.**

**Summary of Action: 16 units removed in 2002  
264 new / conversion affordable units developed by MCDA**

#### **A. Demolition of Existing Housing:**

Because of the difficulty in tracking the rents in rental units to determine affordability, especially since many have been vacant for a number of years, we concluded that for this report all non-homestead property removed would be considered affordable.

Homestead properties were not included as affordable or considered lost due to the value of the units in the market at the time of purchase or the value after substantial rehab needed to make the units habitable. Incomes of the existing households have no bearing in determining whether a unit is affordable to the next household.

<b>Table 1</b>				
<b>Summary of 2002 Units Removed</b>				
	<b>Total Units</b>	<b>Homestead Units</b>	<b>Non-Homestead Units</b>	<b>Affordable (Non-Homestead) Units Lost</b>
<b>MCDA</b>	<b>22</b>	<b>7</b>	<b>15</b>	<b>15</b>
<b>City Inspections Department</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Humboldt Greenway</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>

<b>Flood Control</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>School Board</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>26</b>	<b>10</b>	<b>16</b>	<b>16</b>

**B. Housing Production:**

A key component of the Policy is that each year, the MCDA shall produce more affordable housing units at 50% or below the Metropolitan Median Income or MMI through new construction/positive conversion, than the number removed by City/MCDA action.

The total production of new affordable housing units at 50% or below the MMI by the MCDA for 2002 was 264 (248 rental and 16 ownership) units.

**Requirement 2: Twenty percent (20%) of the units of each City/MCDA assisted housing projects of 10 units or more will be affordable to households earning 50% or less of the Metropolitan Median Income (MMI). It is understood that these affordable units include any mix of rental and/or homeownership, and can be located on the project site or anywhere in the City of Minneapolis. Any specific project requesting exemptions to this requirement must seek City Council approval on the basis of alternative public purpose.**

**Status: Requirement Achieved.**

**Summary of Action:** All rental housing projects placed in service in 2002 had at least 20% of the units affordable. In fact, 56% of all 2002 new rental construction/positive conversion units and 67% of all preservation/stabilization rental units were affordable to households with incomes at or below 50% MMI.

The new language in the 2001 City Council resolution amending the Policy required that ownership projects of ten units or more approved in 2001 (and in subsequent years) will have at least 20% of the units affordable at <50% of median income.

**Requirement 3: Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.**

**Status: Requirement Achieved.**

**Summary of Action:** The MCDA has implemented this policy for all rental projects and has included language in its legal documents which will require compliance.

### **Resolution Goals**

**Goal 1: City of Minneapolis is directed to increase funds directed to affordable housing production with a goal of a total annual MCDA investment of \$10 million per year.**

**Status: Goal Achieved**

During 2002, a total of \$10,825,706 was allocated by City Council/MCDA Board action to a number of affordable housing projects (see Exhibit E). In addition, significant low income housing tax credits, housing revenue bonds, and tax increment funds were approved for affordable rental housing projects.

#### **Summary of Action:**

MCDA Three Year Funding Goal (2000 – 2002): \$28.5 million  
MCDA Funding for 2000: \$11 million – 39% of 3-year goal  
MCDA Funding for 2001 : \$8.2 million - 29% of 3 year goal  
MCDA Funding for 2002: \$10.8 million - 38% of 3 year goal  
Total Funding 2000-2002: \$30.0 million - 105% of 3 year goal

**Goal 2: The goal for City/MCDA for production of units affordable to 50% and below of MMI will be 650 units in 2000. Staff should make annual recommendations for production goals. Three year (2000-2002) production/preservation goal is 2,110 units.**

**Status: Goal Not Achieved.**

The goal was not achieved due to project timing and funding levels. Production numbers are based on units placed in service (completed) each year. Projects are funded at least two years prior to completion so there is little correlation between the funding available and the units completed in any given year. Units placed in service (construction completed) in 2000 - 2002 were actually funded in 1998-2000. As expected, the number of units completed in 2002 was higher than previous years as a result of higher funding levels in 2000.

#### **Summary of Action:**

MCDA Three Year Production/Preservation Goal (2000 – 2002): 2,110 units  
MCDA year 2000 production: 505 Affordable units – 24% of three year goal  
MCDA year 2001 production: 504 Affordable units - 24% of three year goal  
MCDA year 2002 production: 612 Affordable units – 29% of three-year goal  
Total 2000-2002 production: 1,621 Affordable units– 77% of three-year goal

Based on anticipated funding levels, specific goals for the next goal period (2003-2005) are as follows:

2003 Production/Preservation	650 units
2004 Production/Preservation	700 units
2005 Production/Preservation	750 units
Total 2003-2005 Production	2,100 units

#### **A. Description of Rental Housing Production**

For purposes of this report, production for this goal is defined as new construction, positive conversion and preservation/stabilization.

In 2002 the MCDA assisted in the development or preservation of 966 total rental housing units in Minneapolis, of which 596 are affordable at or below 50% of median income (see Table 3). This was done through the provision of direct subsidy or other types of financing through the use of MCDA controlled funds (see Table 2).

**Table 2**

#### **Rental Housing Production Summary 2002**

	Total Units	Direct Subsidy MCDA funds	HRB Finance	Leverage non City funds
New / Positive Conversion	444 Units	\$4.20 million	\$6.60 million	\$49.40 million
Preservation Of units	522 Units	\$5.63 million	\$4.48 million	\$15.39 million
Total	966 Units	\$9.83 million	\$11.08 million	\$64.79 million

**Table 3**

#### **Rental Housing Production by Income Groups 2002**

Affordability Level		30%	50%	60%	80%	>80%
Family	Development	45	33	18	0	178
	Preservation	172	120	173	1	0
Sp. Needs	Development	170	0	0	0	0
	Preservation	56	0	0	0	0
Total (=966)		443	153	191	1	178



**Affordable Units at 50% or Below MMI:**

Total Affordable New/Positive Conversion -- 264 units (248 rental and 16 ownership)

Total Affordable Stabilization/Preservation – 348 units (348 rental and 0 ownership)

Exhibit B gives detailed information on all sources of financing used to leverage MCDA funds to accomplish program objectives. Exhibit B also shows the household incomes served by the programs.

**C. Goals for Affordable Housing Production/Preservation**

As discussed above, goals for the next three year period (2003-2005) are as follows:

2003 Production/Preservation	650 units
2004 Production/Preservation	700 units
2005 Production/Preservation	750 units
Total 2003-2005 Production	2,100 units

**Goal 3:** The MCDA will aggressively pursue funding for operating subsidies and/or rental assistance on City/MCDA assisted housing projects of 10 units or more from all possible funding sources including but not limited to the Minneapolis Public Housing Authority, Minnesota Housing Finance Agency, Hennepin County, Federal Government and Metropolitan Council. To the extent that leverage resources are available for operating support or project based rental assistance, at least 50% of the units affordable at 50% of the MMI as required in requirement 2 shall be affordable on a project -by-project basis at an income level of 30% or less of MMI. No City or MCDA funds or resources shall be used for operating subsidies and/or rental assistance for any units or projects initiated or created under this policy.

**Status:** Goal Achieved.

**Summary of Action:** 72% of the affordable units completed in 2002 were affordable at or below 30% MMI. MCDA resources were used for capital costs only. In 2002, 215 units (81%) of new construction/conversion housing funded with MCDA capital were placed in service affordable at levels of 30% or below. In addition, MCDA has worked cooperatively with MPHA on the delivery of Project-Based Section 8 subsidies (PBA) since 2001. Two PBA RFPs were issued in 2001, the first in conjunction with the MCDA's Multifamily RFP, resulting in applications for 488 PBA units. Since 2001, the MPHA Board has approved all 488 PBA units it has received. MPHA now has HAP contracts signed for 177 PBA units and 143 AHAPs as well. Another PBA RFP was issued in early 2003, resulting in applications for 153 new PBA units. The MPHA Board expects to approve these in April.

**Goal 4: Fifty percent (50%) of the City/MCDA's affordable housing funds will be used for the capital cost of production of units affordable at 30% or below of the MMI. When units require operating subsidies and/or rental assistance, these will be secured through partnership with other funding sources including but not limited to the Minneapolis Public Housing Authority, Minnesota Housing Finance Agency, Hennepin County, Federal Government and Metropolitan Council.**

**Status: Goal Achieved.**

**Summary of Action:** Proportionate with the unit numbers in Goal #3 above, it is estimated that 72% of MCDA's affordable housing funds assisted units at <30% MMI (capital costs).

**Goal 5: The goal is established to allocate 70% of affordable housing funds for units with 2 or more bedrooms and 30% to units with 0-1 bedrooms.**

**Status: Goal Not Achieved.**

**Summary of Action:** 0 – 1 Bedroom – 54%  
2+ Bedroom – 46%

For units at or below 50% MMI completed in 2002, 330 were 0-1 bedroom, and 282 were 2+ bedroom. Only 76 (60 rental and 16 ownership) units (12%) were 3+ bedrooms. The MCDA has specific guidelines as part of its Request for Proposals that more directly targets points to achieve this goal, however, this trend bears watching. In 2002, only 40% of rental units approved for new MCDA funding were 2+ bedrooms. Increased production of supportive housing and high-density housing on commercial corridors may result in even fewer large family units in the future.

**Goal 6: The City establishes a goal of at least 50% of new City-produced affordable housing to be located in areas of the city where it is presently lacking (non-impacted areas).**

**Status: Goal Not Achieved.**

Although the MCDA continues its efforts to locate housing in non-impacted areas, the goal of 50% was not achieved in 2002 for a variety of reasons. Sites are scarce and the economic feasibility of projects in non-impacted areas can be challenging. 2002 percentages, however, are much closer to meeting the goal than in 2001.

**Summary of Action:** Impacted Areas of the City – 57%  
Non-Impacted Areas of the City – 43%

Of those affordable units placed in service in 2002, 350 were located in impacted areas of the City while 262 were in non-impacted areas. The MCDA sets aside half of the Multifamily AHTF funds for projects in non-impacted areas.

As of January 2003, based on 2000 census data, a new map of impacted areas was established. Impacted areas have grown significantly and, as a result, this goal will be much more difficult to meet in the future.

**Goal 7: Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.**

**Status: Goal Achieved.**

**Summary of Action:** New Construction / Positive Conversion – 58 units (17%)  
Preservation / Stabilization – 292 units (83%)

The MCDA has specific guidelines as part of its Request for proposals that more directly targets points to achieve this goal.

**Goal 8: Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.**

**Status: Goal Achieved.**

**Summary of Action:** New Construction / Positive Conversion – 206 units (77%)  
Preservation / Stabilization – 56 units (21%)

The MCDA has specific guidelines as part of its Request for proposals that more directly targets points to achieve this goal.

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**Annual Report Exhibits:**

Exhibit A: Listing of properties demolished by City/MCDA action

Exhibit B: Reports on 2002 Production by Project and Program - Multifamily Rental: New (B-1) and Rehab (B-2), Multifamily Ownership (B-3), Single Family Ownership(B-4) and Residential Finance(B-5)

Exhibit C: Report re: 2002 Multifamily Units Closed/Under Construction (not completed)

Exhibit D: Report re: Multifamily Units Approved (cumulative)

Exhibit E: 2002 Multifamily Funding Approval Actions

Exhibit F: Progress Report re: Homeless Task Force Goals

# RESIDENTIAL FINANCE PROGRAMS

Exhibit B-5

(Funding Source)	BELOW 30%		30% TO 50%		50% TO 80%		ABOVE 80%	
	\$(000's)	##'s	\$(000's)	##'s	\$(000's)	##'s	\$(000's)	##'s
<b>Rehab Support Program</b>								
<i>CDBG funds/Development. Acct. *</i>	58	6	48	4		9	44	12
<b>Foreclosure Prevention Program</b>								
<i>Development Acct. *</i>	21	4	86	20	44	10	3	1
<b>Loan and Grant Program</b>								
<i>Rental Programs *</i>								
<i>MHFA Home Improvement</i>	203	16	133	11	172	15	444	24
<i>CDBG Home Improvement *</i>	175	15	172	15	35	2	0	0
<b>Mortgage Programs</b>								
First Time (MRB)	0	0	652	7	2140	18	5504	40
Middle Income (MRB)	0	0	573	4	636	6	5156	29
Take Credit (MRB)	0	0	0	0	0	0	0	0
Assistance Loans	0	0	40	4	123	8	398	17
City Employee Assistance *	0	0	0	0	0	0	0	0
Total of all Residential Finance Resources *	254		306		79		47	

Exhibit F

City-County Homeless Task Force Plan

Numerical goals for county-wide production of new affordable (<30%) and supportive housing for homeless residents for the period from 2001 to 2005 for Hennepin County. Numbers below reflect Minneapolis units vs. non-Minneapolis (suburban) units to date.

<b>TYPE</b>	<b>COUNTY GOAL</b>	<b>COUNTY TRACKING REPORT 3/20/03</b>	<b>MINNEAPOLIS UNITS</b>	<b>NON-MINNEAPOLIS UNITS</b>
<b>Single Affordable</b>	<b>925</b>	<b>233</b>	<b>233</b>	
<b>Single Supportive</b>	<b>800</b>	<b>403</b>	<b>354</b>	<b>49</b>
<b>Youth Supportive</b>	<b>125</b>	<b>59</b>	<b>59</b>	
<b>Families Affordable</b>	<b>665</b>	<b>279</b>	<b>275</b>	<b>4</b>
<b>Families Supportive</b>	<b>665</b>	<b>119</b>	<b>75</b>	<b>44</b>
<b>Transitional</b>		<b>70</b>	<b>70</b>	
<b>Shelter</b>	<b>100</b>	<b>25</b>	<b>25</b>	
<b>Total</b>	<b>3280</b>	<b>1188</b>	<b>1091</b>	<b>97</b>